

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2747 – SB 2633

March 22, 2012

SUMMARY OF AMENDMENTS (014224, 014988, 015179): Creates the Professional Employer Organization Advisory Council (Council). Defines “client”, “co-employment relationship”, and “professional employer organization” relative to temporary employment agencies. Establishes qualifications and term lengths for Council members. Requires members to serve without compensation. Attaches the Council to the Department of Commerce and Insurance (TDCI). Establishes the rights of a professional employer organization and a client who enter into a co-employment relationship. Requires professional employer service providers to register with the Department of Commerce and Insurance (TDCI). Requires TDCI to issue two-year registrations. Establishes the application information required by registrants. Establishes procedures for registration renewals and limited registration. Requires TDCI to maintain a list of registrants that is readily available to the public. Requires TDCI, to the extent practical, to permit electronic filings. Requires registrants to provide a statement within 90 days of the end of each calendar quarter, confirming that all applicable payroll taxes have been timely paid. Authorizes TDCI to establish fees for the initial application, initial registration, renewal registration, and hearing filings. Requires a co-employment relationship to be based upon a written agreement. Establishes requirements for the agreement. Requires the professional employer organization to pay unemployment premiums. Requires the organization to file an application for an account number. Establishes the information required in the account number application. Requires the organization to determine the aggregate reserve ratio of the organization by one of two delineated methods. Establishes the grounds for which TDCI may take action against an organization. Authorizes, up to a \$1,000, an administrative penalty for violations including the submission of false information to TDCI or making a materially false entry in the records of the organization. Establishes the factors TDCI must consider when determining if the Department should suspend a registrant.

Makes technical corrections. Specifies that a professional employer organization must file an application for an account number with the Department of Labor and Workforce Development.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures – Net Impact - \$50,000

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Assumptions applied to amendments:

- TDCI receives approximately 75 applications for new and renewal licenses per year.
- TDCI anticipates that one third (or 25) of the applications will result in a hearing. The recurring increase in state expenditures is estimated to be \$75,000 (25 hearings x \$3,000 per hearing).
- TDCI will charge a hearing filing fee of \$1,000. The recurring increase in state revenue is estimated to be \$25,000 (25 hearings x \$1,000 fee).
- The net recurring increase in state expenditures is \$50,000 (\$75,000 - \$25,000).
- A not significant increase in revenue from collection of additional civil penalties.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', is positioned above the printed name.

Lucian D. Geise, Executive Director

/sbh